

**DEPARTMENT OF STATE REVENUE**

**LETTER OF FINDINGS NUMBER: 01-0007P**

**Use Tax**

**Calendar Years 1997, 1998, and 1999**

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**ISSUE(S)**

I. **Tax Administration** – Penalty

**Authority:** IC 6-8.1-10-2.1(d); 45 IAC 15-11-2

Taxpayer protests the penalty assessed.

**STATEMENT OF FACTS**

Taxpayer manufactures, distributes, and markets high-quality ceramic tile products. At audit, it was determined that the taxpayer did not have a use tax accrual system in place for 1997 and failed to pay tax on fixed assets and miscellaneous expense items.

Taxpayer failed to remit use tax on clearly taxable purchases although it had a use tax accrual system in place for two of the audited years.

1. **Tax Administration** – Penalty

**DISCUSSION**

Taxpayer's audit report revealed that it failed to remit use tax on clearly taxable purchases.

Taxpayer states that it continually strives to comply with all state and local tax requirements. Taxpayer believes that its error ratios were not significant due to its significant turnover in the

tax and accounting area as well as system conversions. Taxpayer states it has introduced procedures and trained field personnel in order to reduce future errors.

A review of the audit indicates the taxpayer remitted no use tax in 1997, seventy-nine percent (79%) in 1998 and thirty-four percent (34%) in 1999. Taxpayer did not provide reasonable cause to allow a waiver of the penalty.

**FINDING**

Taxpayer's protest is denied.